# TRANSPORTATION PARTNERSHIPS FUND

## FINANCIAL STATEMENTS

**For the Year Ended March 31, 2005**

## AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Transportation Partnerships Fund as at March 31, 2005 and the statements of revenue, expenditure and net assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Transportation Partnerships Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 5, 2005

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

## TRANSPORTATION PARTNERSHIPS FUND
## STATEMENT OF FINANCIAL POSITION
## As at March 31

| | 2005 | 2004 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Due from General Revenue Fund (Note 3) | $ 3,929,964 | $ 4,183,882 |
| Accounts Receivable | 331,963 | 438,022 |
| | $ 4,261,927 | $ 4,621,904 |
| Long Term Assets: | | |
| Loan Receivable Less Concessionary Allowance (Note 6) | 582,423 | - |
| | $ 4,844,350 | $ 4,621,904 |
| **LIABILITIES AND NET ASSETS** | | |
| Current Liabilities: | | |
| Accounts Payable | $ 27,267 | $ 152,462 |
| Long Term Liabilities: | | |
| Deferred Revenue (Note 5) | 3,156,533 | 3,156,533 |
| Net Assets (Statement 2) | 1,660,550 | 1,312,909 |
| | $ 4,844,350 | $ 4,621,904 |

(See accompanying notes to financial statements)

Statement 2

## TRANSPORTATION PARTNERSHIPS FUND
## STATEMENT OF REVENUE, EXPENDITURE AND NET ASSETS
### For The Year Ending March 31

| | 2005 | 2004 |
|---|---|---|
| **Revenue** | | |
| Transportation Partnerships Agreement Revenues | $ 1,226,748 | $ 1,271,831 |
| Sale of Technology | 15,000 | 5,000 |
| Interest Revenue (Note 3) | 86,452 | 126,277 |
| Amortization of Loan Discount (Note 6) | 20,953 | - |
| Total Revenue | $ 1,349,153 | $ 1,403,108 |
| **Expenditure** | | |
| Highway Improvement Projects | $ 543,240 | $ 2,051,504 |
| Grant (Note 6) | 318,530 | - |
| Research & Development Costs | 81,791 | 29,680 |
| Manufacturing Costs | 9,751 | 3,286 |
| Administrative Expenses (Note 4) | 48,200 | 74,976 |
| Total Expenditure | $ 1,001,512 | $ 2,159,446 |
| Income (Deficit) for the year | $ 347,641 | $ (756,338) |
| Net Assets, beginning of year | 1,312,909 | 2,069,247 |
| Net Assets, end of year (Statement 1) | $ 1,660,550 | $ 1,312,909 |

(See accompanying notes to financial statements)

## TRANSPORTATION PARTNERSHIPS FUND
## STATEMENT OF CASH FLOWS
### For the Year Ended March 31

| | 2005 | 2004 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash Receipts From Transportation Companies | $ 1,330,338 | $ 1,174,004 |
| Cash Receipts From Technology Sales | 15,000 | 5,000 |
| Interest Received | 88,919 | 136,308 |
| Cash Paid For Highway Improvement Projects | (668,433) | (2,232,459) |
| Cash Paid For R & D Initiatives | (81,791) | (29,680) |
| Cash Paid For Manufacturing Costs | (9,751) | (3,286) |
| Cash Paid to Short-Line Railway | (880,000) | - |
| Cash Paid For Administration | (48,200) | (2,000) |
| Net (decrease) in cash | (253,918) | (952,113) |
| Due From General Revenue Fund, beginning of year | 4,183,882 | 5,135,995 |
| Due From General Revenue Fund, end of year | $ 3,929,964 | $ 4,183,882 |

(See accompanying notes to financial statements)

**TRANSPORTATION PARTNERSHIPS FUND**
**NOTES TO THE FINANCIAL STATEMENTS**
**March 31, 2005**

## 1. Authority and Definition of Entity

The Transportation Partnerships Fund was established effective July 1, 1997 pursuant to Section 8 of *The Highways and Transportation Act, 1997*. The purpose of the Fund is to generate revenues to be used for highway improvement projects. The Transportation Partnerships Fund generates revenues subject to the terms of trucking partnership agreements, in which the transportation companies pay the Fund a portion of cost savings achieved from being able to haul overweight and/or over dimension loads. Additional revenues are raised through the marketing of transportation related technology and expertise.

## 2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The Fund follows the deferral method for contributions. The following accounting principles are considered significant.

a) Revenue recognition –
i) Transportation Partnerships Agreement revenue - recognized in the period the truck haul savings are realized.
ii) Contributions – recognized when received or receivable or when the related expenses are incurred if the contribution is restricted.

b) Cash and cash equivalents consist of amounts on deposit with the General Revenue Fund.

c) Highway improvement projects undertaken by the Fund are betterments to assets of the Department of Highways and Transportation. Projects of a capital nature are transferred by the Fund to the department. The department records and amortizes these assets based on department capitalization policies and thresholds.

## 3. Due from General Revenue Fund

The monies of the Transportation Partnerships Fund are deposited in the General Revenue Fund. Under this arrangement, earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty day borrowing rate and the Transportation Partnerships Fund's average daily bank account balance. The effective interest in the year was 2.19% (2004 – 2.79%).

## 4. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related as they are controlled by the Government. These financial statements include transactions with other Government agencies. These transactions

are in the normal course of operations and are recorded at agreed upon exchange amounts.

During the year, the Fund was charged $48,200 (2004- $74,976) by the Department of Highways and Transportation for salary and administrative expenses. At year-end the Fund owed the Department of Highways and Transportation $0 (2004 - $73,666).

Transportation Partnerships Agreement Revenues include $114,711 (2004 - $170,108), from SaskPower, pursuant to a transportation partnership agreement between the Fund and SaskPower. At year-end SaskPower owed the Fund $57,392 (2004 - $30,448).

The Fund earned interest income of $86,452 (2004 - $126,277) on monies deposited in the General Revenue Fund. At year-end, the Fund had monies deposited in the General Revenue Fund totaling $3,929,964 (2004 - $4,183,882).

## 5. Deferred Revenue

In 2001-02, the Fund received $3,156,533 from the Department of Highways and Transportation. The funding will be used to provide financial assistance for eligible Short-Line Railways and to improve the transportation infrastructure in Saskatchewan. All monies once repaid and monies not loaned to short line companies will be invested in infrastructure projects.

The monies will be recorded as revenue in the future period that infrastructure project expenditures are incurred.

## 6. Loan Receivable

In the current year, the Fund provided a loan for $880,000 to an eligible Short-Line Railway company under *The Railway Line (Short Line) Financial Assistance Regulations.* The loan is interest free and is to be paid back over 15 years, with the first repayment due in 2007.

The loan is accounted for as a discounted loan on the Statement of Financial Position. Due to the concessionary nature of the loan, the Fund recognized $318,530 as the grant portion of the total loan advanced based on an interest rate of 5%. The grant portion is accounted for as a government transfer in the current year. A concessionary allowance has been recorded which will be amortized on a straight-line basis to revenue over the term of the loan.

No valuation allowance was established in the current year. An allowance will be recorded if at any point the loan is not considered collectible in full.

## 7. Comparison of Planned and Actual Results

| | Budget | Actual | Variance |
|---|---|---|---|
| **REVENUE** | | | |
| Transportation Partnership Agreements | $ 1,000,000 | $ 1,226,748 | $ 226,748 |
| Other Revenue | 65,000 | 15,000 | (50,000) |
| Interest Revenue | 20,000 | 86,452 | 66,452 |
| Amortization of Loan Discount | - | 20,953 | 20,953 |
| | $ 1,085,000 | $ 1,349,153 | $ 264,153 |
| **EXPENDITURES** | | | |
| Road Expenditures | $ 1,000,000 | $ 543,240 | $ 456,760 |
| General Transfers | - | 318,530 | (318,530) |
| Other Transportation Initiatives | - | 91,542 | (91,542) |
| Administrative Expenses | 75,000 | 48,200 | 26,800 |
| | $ 1,075,000 | $ 1,001,512 | $ 73,488 |
| **SURPLUS FOR THE YEAR** | $ 10,000 | $ 347,641 | $ 337,641 |